

The effect of Managerial Ownership on Dividend Payout of Listed Diversified Conglomerates in Nigeria

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Abstract

Theoretically, dividends payments are irrelevant and have no influence on the market value of shares. Thus, a firm can essentially avoid distributing cash (or at least defer payouts for a very long time). But the practices in Nigerian firms are different as some of the companies distribute entire earnings while some retain the entirety. To investigate the rationale of paying dividend, this paper examines the effect of managerial ownership on dividend payout of listed diversified conglomerates in Nigeria. Using annual reports of six (6) firms registered as conglomerates companies on the Nigerian Stock Exchange (NSE) for a period of 10 years (2005-2014). Using panel regression analysis, the study found that managerial ownership had significant relationship with dividend payout for the period examined. The study concludes that managerial ownership has significant positive relationship with the dividend payout of the listed diversified conglomerates in Nigeria. The study recommends that constituents stakeholders such as regulators and investors should encourage managerial ownership in the listed diversified conglomerates in Nigeria as this could improve the efficiency and control over the managers, by reducing the agency problem.

Keywords: Corporate; Firms; Managerial, Ownership; Structure

JEL Classification: H32, L22, M14

1. Introduction

Dividend policy has been an issue of interest in financial literature since the separation of ownership from control, which led to the formation of Joint Stock Companies in the corporate world (Kapoor, 2009). Dividends are the distribution of earnings (distributable income) in real assets among the shareholders of the firm in proportion to their ownership. The process that determines how much and in which way profit is distributed among shareholders is called dividend policy. In addition, dividend policy relates to the payout policy, which managers pursue in deciding the size and pattern of cash distribution to shareholders over time. Shareholders' wealth maximization has been the managements' primary goal, which translates into maximizing the value of the company as measured by the price of the company's

common stock. This goal can be achieved by giving the shareholders a “fair” payment (in form of dividends) on their investments.

Indeed, dividend policy is one of the most complex aspects in finance, and as such corporate dividend policy has attracted attention of management scholars and economists resulting into theoretical modeling and empirical examination (Kapoor, 2009). For instance, firms generally adopt dividend policies that suit the stage of their life cycle; high-growth firms with larger cash flows and fewer projects tend to pay more of their earnings out as dividends. Consequently, dividend policy of a firm has implication for investors, managers and lenders and other stakeholders (Kapoor, 2009).

For investors, dividends whether declared today or accumulated and provided at a later date are not only a means of regular income, but also an important input in valuation of a firm. Similarly, managers’ flexibility to invest in projects is also dependent on the amount of dividend that they can offer to shareholders as more dividends may mean fewer funds available for investment. Lenders may also have interest in the amount of dividend a firm declares, the more the dividend paid, the less would be the amount available for servicing and redemption of their claims. The dividend payments present an example of the classic agency situation as its impact is borne by various claimholders. Accordingly, dividend policy can be used as a mechanism to reduce agency costs. Moreover, the payment of dividends reduces the discretionary funds available to managers for perquisite consumption and investment opportunities and requires managers to seek financing in capital markets. This monitoring by the external capital markets may encourage the managers to be more disciplined and act in owner’s best interest (Afza & Miraza, 2010; Nyor & Adejunwo, 2013).

However, a major problem in respect of dividend payment is the reasons for adopting a policy of divided payout; because dividend policies depend on several factors, and one of these factors is corporate governance (Mehrani, Moradi & Eskandar, 2011). According to them, corporate governance has recently received considerable attention due to the financial scandals. Gillan and Starks, (2003) added that among the reason for the attention is the interest conflicts among shareholders in the corporate structure. That is, differences exist between the shareholder types and the demand for dividend (Truong & Heaney, 2007).

For instance, among shareholder types, institutional shareholders and managerial shareholders have a greater influence on firm policies. On this strength, corporate ownership structure is considered as an influential factor on firm policies, and one of these policies is dividend policy. Thus, the relationship between a firm’s dividend policy and its ownership structure is recognized in the established literature (Short, Zhang, & Keasey 2002; Mehrani, Moradi & Eskandar, 2011).

Moreover, corporate governance changes in Nigeria have been common in recent times and had led to high level of institutional ownership and managerial ownership, especially in the diversified conglomerates firms. These category of investors play a key role in prompting change in many corporate governance systems and they usually affect the critical policies like dividend policies. For

instance, managerial ownership and dividend policies have been well documented; as Jensen (1986) propagated free cash flow theory which suggests that managers are reluctant to pay out dividends, preferring instead to retain resources under their control. Similarly, block shareholders according to Shleifer and Vishny (1986), creates the incentives to monitor management, which overcomes the free-rider problem. Mitton (2005) showed that firms with higher block ownership pay higher dividends. Baba (2009) observed the influence of foreign investor's ownership on the dividend payout policy of the firms of Japan and the study further showed that higher foreign investor's ownership is related with the higher dividend policy of firm.

This study is therefore motivated by the fact that, dividend policies vary across countries and across firms (Laporta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). In addition, prior researches suggested significant differences in dividend policy between developed countries and developing countries (Abdelsalam, El-masry, & Elsegini, 2008). According to this argument, corporate governance practices including ownership structure are affected by environmental characteristics. As such, the relationship between ownership structure and dividend policies is expected to be different in various environments and countries. To present a contextual perspective on the ongoing debate on dividend policy, the present study focuses on the relationship between dividend policy and ownership structure using sample of diversified conglomerates companies in Nigeria. Given the major regulatory and governance structural changes, Nigeria presents an interesting context. Thus, providing empirical evidence on dividend policy and ownership on area largely unexplored, this paper contributes to and extends the dividend policy literature. The remainder of this paper is organized as follows: section two presents the review of related works and hypothesis development. Research method is presented in section three. Section four presents findings; and section five is the conclusion of the study.

2. Literature Review

Ownership structure reflects the distribution of control in the firm. By controlling the firm, an investor controls or strongly influences the dividend payout policy. Berzins, Bohren and Stacescu (2011) measured the potential conflict between minority and majority shareholders through the ownership concentration reflected by the shareholdings of the largest personal, family, industrial or institutional owning entity. As they focus their attention on private firms and the second agency problem described by Villalonga and Amit (2006), they include firms with a concentrated ownership defined by shareholdings of the largest owner exceeding 50% including indirect ownership. Their findings support the aligned incentives hypothesis rather than the conflict of interest hypothesis discussed by Thomsen (2005) or the substitution model rather than the outcome model described by La Porta, Lopez and Shleifer (2000). Hence, the dividend payout ratio increases with ownership concentration. For a sample of UK-firms, this view is partially supported by the findings of Short, Zhang and Keasey (2002).

What constitutes ownership structure varies among different authors. Zhang (2005) define ownership structure as stockholders ownership proportion. It can also

represent the concentration degree of ownership in firms, which means large shareholders proportion in a firm. In addition, Zhang (2005) further reiterated that there are three types of ownership structure. First, absolute concentration of ownership, there is only one stockholder who has the absolute power to control the firm and usually keep 50% ownership; Second, absolutely dispersed ownership, there are numerous stockholders; there is complete separation of ownership and control where single stockholder keeps share below 10%. Third, there coexist relative concentration of ownership and some large shareholders in a firm. However, in a firm with a relative concentration of ownership and some large shareholders, ownership structure can almost decide the composition of the board. It is always assumed that only shareholders who hold large shares may closely monitor the management of the board. Dispersed shareholders have little or no incentive to monitor the management; they may have no power to decide who make the composition of board members. Then, some large shareholders control the exercise of the board. They may use their voting power to improve their own position at the expense of other shareholders. Chen, Gul and Tsui (2003), claimed that managerial ownership may be divided into two: insider ownership and outsider ownership. The insider ownership is defined as a percentage of share held by the insider board members including executive directors and non-independent directors while outside board ownership is defined as a percentage of share held only by independent non-executive directors. Following Harada and Nguyen (2009), short, Zhang and Keasey (2002), and Karathanasis and Chrysanthopolou (2005), managerial ownership refers to the total percentage of equity held by the shareholders that take part in the companies' management, either through their natural presence or representation in the Board of Directors, or through the undertaking of managerial tasks or through a combination of the two.

Several studies were conducted to find the relationship between ownership structure and dividend policy from different jurisdictions. However, the results are mixed and inconclusive to inform policy and decisions. For instance, Laporta et al., (1999), Claessens, Stijin, Simeon and Larry (2000), Faccio, Mara, Larry, and Leslie (2001), In their study outside the US and UK, many public listed companies located in other area have high concentration ownership, with some largest shareholders controlling the companies. The concentrated ownership will affect the firms' performance and the company policy and there are different results in many countries about relationship between concentrated ownership and dividend policy. Easterbrook (1984) also proved that dividend can be substituted for shareholder monitoring, or higher dividends can reduce agency conflicts because majority of shareholders have strong motivation to require higher dividend payments in order to mitigate their expense. Therefore ownership concentration should positively associate within dividend policy. Jensen, Solberg & Zorn (1992) examined that there is a significantly negative relationship between insiders and dividend policy among US companies this relationship also appeared in UK firms. Farinha (2003) In Hong Kong, Chen, Cheung, Stouratisandwong (2005) have found that dividend payment is lower when several indicators of governance quality are higher. Guguer and Yurtoglu (2003) present that the dividend payout is lower when majority shareholders control a company in Germany because of the extraction for private

purposes by controlling shareholders. In addition, in Finland, Maury and Pajuste (2002) showed that there is negative relationship between ownership concentration and dividend policy. On the other hand, following Harada and Nguyen (2009), Short *et al* (2002), and Karathanasis and Chrysanthopolou (2005), managerial ownership refers to the total percentage of equity held by the shareholders that take part in the companies' management, either through their natural presence or representative in the Board of Directors, or through the undertaking of managerial tasks or through a combination of the two. Manos (2002), Short *et al* (2002) Harada and Nguyen (2009), find a significant negative relationship between dividend and percentage ownership held by the shareholders that take part in the company's management, either through their natural presence or representation in the Board of Directors, or through the undertaking of managerial tasks or through a combination of the two.

Musa (2009) used the parsimonious multiple regression model developed by Musa (2005) to investigate the dividend policy of a cross-section of 53 firms quoted on the Nigerian Stock Exchange (NSE) during the period 1993 to 2002. The model employs five metric variables-previous dividend, current earnings, cash flow, investment and net current assets, and three non-metric variables- growth, firm size and industry classification, in order to explain as well as predict the dividend policy of quoted firms in Nigeria. The empirical results reveal that the five metric variables have significant aggregate impact on the dividend policy of the quoted firms. However, three of the variables-current earnings, previous dividend and cash flow, have been found to be robust in the model. Finally, the tests find that none of the three non-metric variables provides a statistically significant improvement to the base model. Mancinelli and Ozkan (2006) also carried out a study on ownership structure and firms dividend policy using 139 Italian firms. The regression results support the prediction that higher level of ownership concentration is associated with a higher probability of expropriation of outside shareholders. There are private benefits to the large shareholders of holding cash as lower dividend payouts will increase the ability of the large shareholders to expropriate the outside majority shareholders. Their findings also support the prediction that managers prefer to hold resources under their control rather than distributing returns to shareholders. Matnor and Sulong (2007) also empirically examined the relationship between various forms of ownership structure and dividends in Malaysia. 406 firms were studied using a multiple regression analysis for the period 2002 to 2005. Their results revealed that ownership concentration has a significant positive impact on dividends though with minimum impact. However, managerial ownership was seen to be significantly positively related to dividends which imply that insider shareholdings provide greater incentives for the alignment of management and shareholders interest resulting in higher dividends. The results also suggest that managerial ownership does not play an active role in Malaysia. Ramli (2010) in his study investigates the effect of large shareholders and dividend policy of Malaysian firms using panel data from 2002 to 2006. They found out that firms make higher dividend payout as the largest shareholder increase and the magnitude of dividend payout is also larger when there is a presence of the substantial second largest shareholder in the company.

Grossman and Hart (1988) argued that there is a positive relationship between ownership concentration and dividends, leaning on the preference for the allotment of these large shareholders which are usually companies. Furthermore as concluded by Faccio, Lang and Young (2001) in their study on ownership concentration and dividend policy of European firms, the presence of multiple owners might alleviate expropriation of minority shareholders by the controlling shareholder. However, they found that the presence of multiple large shareholders helps to limit the expropriation of minority shareholders by the controlling shareholders. This therefore implies a negative relationship between ownership concentration and dividend payouts. According to Shleifer and Vishny (1997), large shareholders have a dual impact on firms. On one hand is their incentive to monitor the manager's activities and on the other hand is to extract rents and enjoy private benefits of control. In line with this argument, the literature offers two competing views about the relationship between ownership concentration and dividend policy of firms. Firstly, the expropriation hypothesis predicts that the high level of ownership concentration increases the propensity for expropriation of minority shareholders by large shareholders and that controlling shareholders with substantial power adopt a policy that retains a larger amount of earnings they can expropriate, thereby resulting in low payout. Secondly, the substitution hypothesis is based on the assumption that firms need to raise external funds, and in order to sustain outside equity in the firm, the controlling shareholders usually establish a reputation for not expropriating wealth from minority shareholders by paying out more dividends.

Harada and Nguyen (2006) examined the impact of ownership concentration on the dividend policy of Japanese firms from 1995 to 2002. In line with the findings of Khan (2006), they also found out that firms with high ownership concentration pay lower dividends. Tightly controlled firms are less likely to increase dividends when profitability increases and when operating profits are negative. This pattern is consistent with their lower payout and the assumption that the dominant shareholder extracts private benefits from resources under their control. They also found that tightly controlled firms are more likely to omit dividends when investment opportunities improve which protect the interest of current shareholders. A related study was also conducted by Maury and Pajuste (2002) to determine the relationship between controlling shareholders and dividend policy of listed firms in Finland. From their findings, it could be deduced that dividend payout ratio is negatively related to the control stake of the controlling shareholder. However, their results support the mitigating role of another shareholder since the cumulative ownership of the three largest shareholders has a negative impact on dividend payouts. Additionally, Klein (2002) examined the effectiveness of characteristics of the board and the composition of the audit committee, while controlling the effects of ownership concentration. To measure the effect of block-holders on dividend policy, she looked at firms whose audit committees include representatives of block-holders with more than 5% of the equity. She found a negative relationship between 5% block-holders sitting on audit committees and dividend policy.

Gugler and Yurtoglu (2003) analysed dividend payout of German firms with a special focus on the large-small shareholder conflict. Their results show that the markets react more negatively when large uncontrolled shareholders reduce the dividends they intend to pay out to minority shareholders. They concluded that dividend payout levels decrease in the power of the largest shareholder but increase in the power of the second largest shareholder. Mancinelli and Ozkan (2006) examined the relationship between ownership concentration and dividend policy of 139 listed Italian firms. The results of their analysis showed that firms make lower dividend payout when the voting rights of the largest shareholder increases and it was further argued that the presence of agreements among the large shareholders might explain the limited monitoring power of other strong non-controlling shareholders. A similar study was conducted by Ramli (2010) to investigate the impact of large shareholders on the dividend policy of Malaysian firms from 2002 to 2006. Since the ownership structure in Malaysia is usually concentrated, the relevant agency conflicts to analyse are usually that which arises from the relationship between large shareholders and minority shareholders. His results reveal that companies make higher dividend payout as the shareholding of the largest shareholder increases and the magnitude of the dividend payout is also larger when there is a presence of the substantial second largest shareholder.

Zeckhauser and Pound (1990) suggest the arm's length view of investment held by many institutional investors, coupled with the incentives to free ride with respect to monitoring activities, implies that institutional shareholders are unlikely to provide direct monitoring themselves. The institutions, rather than providing monitoring themselves, force firms to increase their dividends in order that they are subsequently forced to go to the external capital market for future funds.

D'Sauza and Saxena (1999) also examined the effects of institutional investors on an international firm's dividend policy. A sample of 349 firms was used to determine the relationship between dividend payout and institutional ownership. The dividend policy of a firm was defined as its dividend payout ratio (the ratio of dividend per share and earnings per share) while the percentage of institutional holdings of a firm's common stock was used as a proxy for institutional ownership. Multiple regression analysis was performed and the results revealed a statistically significant and negative relationship of dividend payout with the explanatory variable institutional shareholdings.

An important body of literature exists on how ownership structure influences dividend policies. Especially the link between managerial ownership and dividend policy has been well documented (Wiberg, 2008). Most of these studies have argued that dividend payout is generally viewed as a control device which helps reduce managerial discretion, and as such, it is part of the firm's optimal monitoring. That is, the agency control function of dividend payout is linked to the severity of the manager-shareholder conflict. Rozeff (1982) in his research on growth, beta and agency costs as determinants of dividend payout ratios suggests a negative relationship between managerial ownership and dividends. This means companies with more managerial participation tend to pay lower dividends. This shows that insider ownership provides direct incentives of alignment between

managers and shareholders while dividends serve as a mechanism that reduces the manager's propensity to make unprofitable investments out of internally generated funds. Jensen (1986) free cash flow theory suggests that managers are reluctant to pay out dividends, preferring instead to retain resources under their control. Their evidence shows that dividends decreases with an increase in the voting powers of owner-managers, and is almost zero when owner-managers have absolute control. The extent of the role played by managerial ownership in relation to proportion of shares held by management may affect control over the firm's decision. Jensen and Meckling (1976) theorize that as managerial ownership increases, when their interest was closely aligned with the owners (principal), the need for intense monitoring will reduce. Also in the public equity firms, to reduce the managers' (agent) incentives in expropriating the shareholders wealth, managerial equity ownership serves to align interests of managers with those of shareholders and thus increase firm value. The managers and directors of the company may face takeover threat from the shareholders, if managerial equity ownership increases; it would result to entrenching effect of managers. These can reduce takeover threats that the managers face whenever their performance or that of the directors are below expectation (Stulz 1988).

Eckbo and Verma (1994) empirically showed that dividend payout decreases with the increasing power of managerial share ownership and also argued that in the managers-controlled firms where they have absolute voting power, the cash dividend is zero. They conjectured that observed dividends resolves shareholder conflicts by a consensus across heterogenous shareholder groups. This consensus-dividend hypothesis was tested using firms in Canada where the managers own majority of the shares. The empirical evidence indicates that cash dividends decrease as the voting power of owner-managers increases, and are almost zero when owner-managers have absolute voting control of the firm. Agrawal and Jarayaman (1994) used the sample of all-equity and levered firms which consists of 71 matched pairs. All equity firms are defined as those who use short term debt throughout a continuous five year period. Their results indicate that dividend yields and dividend payout ratios of all-equity firms are significantly higher than those of levered firms. They also discovered that within the group of all-equity firms, firms with higher managerial ownership have lower dividend payout ratios because they substitute mechanisms for controlling the agency costs for free cash flow.

Moreover, Hansen, Kumar and Shome (1994) test the relevance of monitoring theory for explaining the dividend policies of regulated electrical utilities. They focused on this industry partly because relative to industrial firms, utilities are more insulated from the discipline of other monitoring mechanisms for controlling agency costs. Their findings revealed that utilities faced with higher regulatory and managerial conflicts pay proportionally greater dividends. Their findings are consistent with the monitoring hypothesis that these utility firms use dividend induced equity financing to control agency costs that arise out of the shareholder-regulator and shareholder-manager conflicts. Mohammed, Perry and Rimbey (1995) also employed panel data on three hundred and fortyone US firms over 18 years from 1972 to 1989 using weighted least squares regression to examine the

effect of managerial ownership on dividends. The result of their findings revealed that higher dividend payouts are observed when managers own a lower percentage of shares and the outside ownership becomes more dispersed. Yordying (2013) study examines the relationship between *ownership* structure and dividend policy in Thailand in a sample of 1,927 observations. The results show that Thai firms are more likely to pay dividends when they have higher ownership concentration or the largest shareholder is an institution and that firms pay higher dividends when the largest shareholder, especially an institution, holds more percentage of shares. It also found that the likelihood of paying dividends and the magnitude of dividend payouts increase (decrease) with higher institutional (individual) ownership. Xuanfeng (2014) study examines how ownership structure affects dividend yield using firm size, profitability, leverage, and firm development opportunities as control factors. The result reveals that ownership structure and profitability has the most important effect on dividend yield. Firm size also determines the dividend payout but in negative relationship. It suggested that firm leverage and market-to-book showed no significant influence on dividend policy.

Ojeme, Namidu and Ojo (2015) empirically examine the implications of adopted dividend policies on the value of shareholders' wealth and the extent to which dividend policy affects the market value of shares in quoted banks in Nigeria. The paper focuses on the situation before and after the financial meltdown. Correlation results of dividend paid in 2007-2010 and their corresponding market value showed that payment of dividend by quoted banks is relevant to their market value and the amount paid as dividend affects the value of their share.

Felix and Domingo (2015) study examine the effect of shareholder coalitions on the corporate payout policy in Spain, a context characterized by the presence of dominant shareholders. The results show that shareholder coalitions affect payout policy negatively (both for dividends and shares repurchases). This finding suggests that shareholder coalitions serve as an instrument for the dominant shareholder's to extract private benefits. It also find that the relation between the voting rights involved in the coalition and the dominant owner's voting rights is negatively related to dividends. Al-Qahtani and Ajina (2017) examined the relationship between the ownership structure and dividend payout policy for 100 firms listed on Saudi Stock Market for the period 2012-2015. The results indicated a positive relationship between managerial ownership and dividend. Wei et al. (2017) examined the impact of ownership concentration on dividend payout of Malaysian publicly listed firms for the period 2005-2015. The results indicated that ownership concentration was associated with low dividend payout. Le and Le (2017) investigated the relationship between the identities and level of shareholdings of the largest shareholders, and cash dividend policy of 180 firms listed on Vietnam stock exchange markets for the period 2009-2013. The results indicated that the firms with foreign investors as the largest shareholders had higher dividend payout ratio than firms with domestic investors as the largest shareholders. The results also indicated that the higher the level of holdings, by the largest shareholders, the lower the dividend payout.

3. Methodology

The population of the study comprises of all the six (6) diversified conglomerates listed on the floor of Nigerian Stock Exchange (NSE) as at 31st December, 2014, and are operating during the period of the study (2005-2014). The census sampling technique in which all the population members participate in the experiment will be applied; hence the sample size of the study is six (6). The study made use of secondary sources of data through the income statement, the statements of financial position and non-financial information of all the sampled diversified firms. The choice of secondary data is informed by the quantitative research methodology adopted for the study.

The study employed panel multiple regression technique of data analysis for the study. This technique is considered because of its effectiveness in estimating the relationships as well as the impact of one variable on another variable. However, in view of the classical regression assumptions, the study tests to see whether the variance of the error term is constant and the same for all observations (homoscedastic) which is not usually the case for panel data as a result of time-variant and heterogeneity of the units that form the panel. Similarly, the study test the problem of multicollinearity. If the independent variables are perfectly correlated, this biases the regression estimators. However, when these effects are addressed, the regression result is capable of producing estimators that are best linear unbiased estimators (BLUE). The model of the study was subjected to robustness tests, to ensure that the result is not biased and can provide fitted coefficients to achieve the objectives of the study

Variables Measurement and Model Specifications

The variables of the study are dividend policy (proxy by dividend payout ratio) and the independent variables, corporate ownership structure (managerial shareholding). There are also variables controlling for growth opportunities, performance and firm size.

To examine the impact of corporate ownership structure on the dividend policy of listed diversified firms in Nigeria, the study estimate the following econometric model;

Dividend Payout Ratio = f (Managerial Shareholding) 1

That is, dividend payout is a function of ownership structure; managerial shareholding. In order to account for other factors that determine corporate dividend policy, we introduced three variables to control for performance, growth opportunities and firm size.

The model of the study is mathematically expressed as follows;

DivPOR_{it} = β₀ + β₁MgrShldng_{it} + β₂Perform_{it} + β₃GrwthOpp_{it} + β₄Fsize_{it} + ε_{it}..... 2

Where DivPOR_{it} is dividend payout ratio of firm i in year t, MgrShldng_{it} indicates managerial shareholding of firm i in year t, Perform_{it} represents performance of firm i in year t, GrwthOpp_{it} is the growth opportunities of firm i in year t, Fsize_{it}

consist of size of firm i in year t , ε_{it} is the residual/error term, and β_1 , is the variable of interest while $\beta_2, \beta_3, \beta_4$, are control variables, β_0 is intercept.

4. Results

Descriptive Statistics

The descriptive statistics of the data collected for the study are presented and discussed in this section, the summary of the descriptive statistics is in Table 4.1 as follows;

Table 1: Summary of Descriptive Statistics

Variables	Mean	SD	Min	Max	Skew	Kur	N
DVPOR	0.2637	0.2581	0.0000	0.9371	0.8616	2.9962	60
MGRSH	0.1076	0.1729	0.0008	0.4760	1.5276	3.6298	60
PERF	0.0174	0.1455	-0.5300	0.5313	-0.9979	9.5981	60
GRWOP	0.0167	0.3474	-1.0901	0.6288	-1.4403	5.4264	60
FSIZE	16.688	1.2582	14.3325	18.9572	0.2475	2.0791	60

Source: Authors Computation

The descriptive results in Table 1 show that our measure of dividend policy, dividend payout ratio (DVPOR) has an average value of 0.2637 with standard deviation of 0.2581 and minimum value of 0 and 0.9371 as maximum value. The mean value indicate that the diversified firms’ dividend payout ratio is 26.37% (73.63 retention policy), and the standard deviation of 0.2581 signifies that the ratio deviate from the mean value from both sides by 25.81%, implying that there is a wide dispersion of the data from the mean because the standard deviation is large compared with the mean value. The minimum and maximum dividend payout ratios of the firms are 0% and 93.71% respectively. This indicates a non-payment policy and almost a 100% pay-out policy during the period covered by the study. The coefficient of skewness of 0.8616 suggested that the data is positively skewed (did not follow the normal distribution), while the kurtosis coefficient (2.9962) also implies a moderate peakedness in the distribution.

The results also indicate that the average managerial shareholding (MGRSH) in the listed diversified conglomerates in Nigeria is 0.1076 with standard deviation of 0.1729, and minimum value of 0.0008 and 0.4760 as the maximum value. This suggests that the average equity shareholding by the managements of listed diversified conglomerates in Nigeria during the period of the study is 10.76% and the deviation from the mean 17.29%, while the minimum and maximum managerial shareholdings are 0.08% and 47.60% respectively. The value of skewness 1.5276 suggested that the data is positively skewed (did not follow the normal distribution), and the kurtosis coefficient (3.6298) also implies that the data is not normally distributed.

Table 1 shows that the average firm performance (PERF) in the listed diversified firms in Nigeria is 1.74%, from the mean value of 0.0174 with standard deviation of 0.1455, and minimum value of -0.5300 (loss 53%) and 0.5313 (53.13%) as the maximum performance. The standard deviation suggests that the performance deviate from the mean value by 14.55%. The skewness coefficient of -0.9979

suggested that the data is negatively skewed (did not follow the normal distribution), the kurtosis coefficient (9.5981) also implies that the data is not normally distributed. Similarly, Table 1 indicates that the average growth opportunity (GRWOP) in the listed diversified firms in Nigeria is 0.0167 with standard deviation of 0.3474, and minimum value of -1.0901 and 0.6288 as the maximum growth during the period. This suggests that the average growth opportunity of listed diversified firms in Nigeria during the period of the study is 1.67% and the deviation from the mean 34.74%, while the minimum and maximum growths are -109% and 62.88% respectively. The value of skewness -1.4403 suggested that the data is negatively skewed (did not follow the normal distribution), and the kurtosis coefficient (5.4264) also implies that the data is not normally distributed. Lastly, Table 4.1 shows that the firm size (logarithm of total assets) has an average of 16.688, with standard deviation of 1.2582 and minimum and maximum values of 14.3325 and 18.9572 respectively. The coefficients of skewness (0.2475) and kurtosis (2.0791) imply that the variable did not follow the normal distribution. In view of this, the study applied Shapiro-wilk to test the normal distribution of the data.

Table 2: Normal Data Test

Variables	W	V	Z	P-Values	N
DVPOR	0.9134	4.707	3.339	0.0004	60
MGRSH	0.6428	19.414	6.393	0.0000	60
PERF	0.5724	23.244	6.781	0.0000	60
GRWOP	0.8639	7.401	4.314	0.0000	60
FSIZE	0.9405	3.235	2.530	0.0057	60

Source: Authors Computation

To statistically ascertain whether the data for the variables of the study follows the normal distribution assumption, the study used Shapiro-Wilk (W) test for normal data, under this method, null hypothesis principle is used to check a variable that came from a normally distributed population. The null hypothesis of the test is that the “data is normally distributed”. Table.2 indicates that data from all the variables of the study are not normally distributed; because the test show that they are statistically significant at 1% level of significance. Therefore, the null hypothesis (that, the data is normally distributed) is rejected. This suggests a likely high heterogeneity in the panel. Therefore, the inferential statistics of the data collected from which the hypotheses of the study are tested are presented and interpreted in the next sections.

Correlation Results

Table 3 presents the Pearson correlation coefficients of the variables of ownership structure managerial shareholding, together with the control variables) and dividend policy (dividend payout ratio) of the listed diversified conglomerates in Nigeria.

Table 3: Correlation Matrix

Variables	DVPOR	MGRSSH	PERF	GRWOP	FSIZE
DVPOR	1.0000				
MGRSH	0.5146 (0.000)	1.0000			
PERF	0.0888 (0.499)	0.0415 (0.7532)	1.0000		
GRWOP	0.1060 (0.420)	-0.0414 (0.7533)	0.2046 (0.116)	1.0000	
FSIZE	0.0946 (0.472)	0.2126 (0.1029)	-0.3018 (0.0191)	0.0122 (0.926)	1.0000

P-Values in Parentheses

Source: Authors Computation

The correlation result also indicates a significant statistical positive relationship between dividend policy (DVPOR) and managerial shareholding (MGRSH) from the correlation coefficient of 0.5146 which is statistically significant at all 1% level of significance (from the p-value of 0.0000). This result implies that as equity ownership by the management increases, increasing dividend policy is used by the listed diversified firms.

Moreover, Table 3 indicates a positive association between dividend policy (DVPOR) and firm performance (PERF) from the correlation coefficient of 0.0888 which is not statistically significant (from the p-value of 0.4998). This result implies a direct relationship between dividend policy and firm performance during the period, although not statistically significant. The table also indicates a positive relationship between dividend policy (DVPOR) and growth opportunities (GRWOP) from the correlation coefficient of 0.1060 which is not statistically significant (from the p-value of 0.4204). This result implies that as growth opportunities increases, dividend policy used by listed diversified firms increases. Lastly, Table 3 indicates a positive association between dividend policy (DVPOR) and firm size (FSIZE) from the correlation coefficient of 0.0946 which is not statistically significant (from the p-value of 0.4720). This suggests that size of the firm is not significantly related to dividend policy of diversified firms in Nigeria.

Regression Results and Hypotheses Testing

This section covers the analysis of the regression results of the model of the study and the test of the research hypotheses. Table 4.4 presents the results for the analysis;

The results in Table 4 show the presence of Heteroskedasticity in the panel as indicated by the Breuch Pagan/Cook-Weisberg test for heteroskedasticity (Hetttest) Chi2 of 17.11 with p-value of 0.0000. This implied the rejection of the null hypothesis of constant variance in the residuals (Homoskedastic). However, the problem has been addressed as the test suggested a more generalized regression model (SUEST). The table on the other hand, indicated the absence of the perfect multicollinearity among the explanatory variables, as shown by the mean VIF of 1.23. The decision criterion for the Variance Inflation Factor is that a value of 10

and above implies the presence of perfect multicollinearity. The Hausman specification tests of the panel regressions conducted suggested Seemingly Unrelated Regression, because the data did not meet the symmetrical assumption, making it difficult for the Hausman to decide on whether to use Fixed or Random Effect regression model for the study.

Table 4: Regression Coefficients

Variables	Coefficients	t-values	P-Values
MGRSH	0.6753	4.14	0.000
PERF	0.0306	0.88	0.378
GRWOP	0.0047	0.61	0.545
FSIZE	-0.0005	-0.21	0.836
CONSTANT	0.0153	0.39	0.698
HETTEST (Chi2)	17.11		0.0000
MEAN VIF	1.23		
HAUSMAN (Chi2)	Suest		
R SQUARE	0.6743		
F-STAT (Chi2)	124.20		0.0000

Source: Authors Computation

Therefore, the results from the model indicate that the independent variables (institutional shareholding, managerial shareholding, foreign shareholding and block shareholding, together with the control variables) explained 67.43% of the total variations in the dividend policy (DVPOR) of listed diversified conglomerates in Nigeria, from the coefficient of multiple determinations (R^2 value of 0.6743). The table also shows that the model is fit at 99% confidence level as evident by the F-Statistic (Chi2) of 124.20 which is statistically significant at 1% level of significance (as indicated by the P-value of 0.0000). Following the fitness of the model, the test of hypotheses formulated in this study is conducted in the following section.

Hypotheses Testing

The table also shows that managerial shareholding (MGRSH) has a significant statistical positive impact on the dividend payout (DVPOR) of the listed diversified conglomerates in Nigeria, from the coefficient of 0.6753 with t-value 4.14, which is statistically significant at 1% level of significance (p-value of 0.000). This suggests that, when equity ownership by the management increases by 1%, dividend payout increase by 0.68k and, this implies an increasing dividend payout. Based on this, the study rejects the null hypothesis two (H_{02}) which states that, managerial shareholding has no significant impact on the dividend payout of listed diversified conglomerates in Nigeria. The study therefore infers that managerial shareholding is a significant determinant of dividend payout of listed diversified conglomerates in Nigeria.

Lastly, the results from Table 4 show that, firm performance (PERF) has a positive impact on the dividend payout (DVPOR) of the listed diversified conglomerates in Nigeria, from the coefficient of 0.0306 with t-value 0.88, which is not statistically significant (p-value of 0.378). This suggests that, performance has not significantly

influenced dividend payout during the period. Similarly, table 4.4 show that, growth opportunity (GRWOP) has a positive impact on the dividend payout (DVPOR) of the listed diversified conglomerates in Nigeria, from the coefficient of 0.0047 with t-value 0.61, which is not statistically significant (p-value of 0.545). This suggests that, growth opportunities have not significantly influenced dividend payout during the period. On the other hand, Table 4 show that, firm size (FSIZE) has a negative impact on the dividend payout (DVPOR) of the listed diversified conglomerates in Nigeria, from the coefficient of -0.0005 with t-value -0.21, which is not statistically significant (p-value of 0.836). This suggests that, size of the firm has not significantly influenced dividend payout during the period

In the course of this research, the analysis conducted revealed that the average dividend payout (dividend payout ratio) of the listed diversified conglomerates in Nigeria is 26.37%, implying a 73.63% retention policy. The findings on the other hand revealed that the ownership structure variables examined (managerial shareholding together with the control variables) accounted for 67.43% of the total variations in the dividend payout of listed diversified conglomerates in Nigeria. Specifically, the study found a significant positive relationship between dividend payout and institutional ownership during the period under review. This finding is consistent with Han et al (1999), Moh'd et al (1995), Manos (2002), but contradicts the findings of Kouki and Guizani (2009), Harjito (2009), D'Sauza and Saxene (1999). The study also found a significant positive relationship between dividend payout and managerial ownership during the period under review. This is consistent with the findings of Moh'd et al (1995) and contradict the findings of Rozeff (1982), Manos (2002), Short et al (2002).

5. Conclusion and Recommendation

Secondary data of 6 firms for a period of 10 years (2005-2014) was employed. Panel regression technique of data analysis was adopted and the study found that the average dividend policy (dividend payout ratio) of the listed diversified conglomerates in Nigeria is 26.37%, implying a 73.63% retention policy. The findings on the other hand revealed that the ownership structure variables examined (managerial shareholding together with the control variables) accounted for 67.43% of the total variations in the dividend policy of listed diversified conglomerates in Nigeria. Specifically, the study found that managerial ownership has significant positive impact on dividend payout during the period under review.

Based on the data collected, and analyzed together with the hypotheses tests, the study concludes that ownership structure has significant positive impact on the dividend payout of the listed diversified conglomerates in Nigeria during the period of the study. Managerial shareholding has a significant statistical positive impact on the dividend policy of listed diversified conglomerates in Nigeria.

Although the results and findings from this study are reliable and robust, the study has some limitations. Due to the peculiarity of the business of diversified conglomerates, the findings of this research may not be applicable to other sectors of the economy. That is, the findings are limited to all diversified companies and their like. The study is also concentrated on the quantitative research methodology,

while complementing with qualitative evidence, would have improved the work. Moreover, there are other components of ownership that are not covered in this work (like the concentration of ownership and state ownership). Similarly, another proxy of dividend policy (dividend yield) is not used by this study.

The study also recommends that, regulators should increase the level of ownership by management as this may reduce the conflict of interest between the owners and the managers. Future empirical studies in this area should examine dividend policy in relation to block shareholding in Nigeria. Future empirical works on this topic should focus on other sectors of the economy using both quantitative and qualitative methodology. Moreover, other components of ownership structure like ownership concentration and state ownership should be examined by future studies.

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